



Goldrausch

Germany

1982-2015

30 years of women's microfinance

Summary

Goldrausch Frauennetzwerk is a small non-governmental association that started making small loans to women entrepreneurs in Berlin area in 1982.

Its objective is to help business women in Berlin to set up and invest in their own businesses by making interest-free microloans. In recent years preference has been given to women aged over 45 and with a migrant background. All beneficiaries run one-person enterprises, most of them of the service sector, such as cosmetics, restaurants, biologists, retail shops, bakeries and childcare services.

The association also grant-aids activities relevant to women's rights and also networks with other microcredit initiatives, policy experts, researchers, start-up initiatives and financial institutions in order to increase the women presence in the business world.

Between 1982 and 2007 Goldrausch distributed some €850,000 to more than 450 business women and projects in Berlin. These loans and grants were funded entirely from the contributions and donations of its members. More recently it has started a partnership with GLS Bank to administer loans part-funded by the ESF as part of the national Mikrofinanzfonds Deutschland scheme. Between September 2010 and 2013, Goldrausch allocated 70 loans totalling €240,000. Its default rate is a remarkably low 1.3%.

Its success is based on the commitment of the volunteer members of the association, who strive to create a supportive environment which can release women's entrepreneurial potential.

A women's association

Goldrausch Frauennetzwerk (Goldrush Women's Network) is a small non-governmental association that has provided microloans to women living in the Berlin area since 1982. Since 2010 the organisation has been a member of the Deutsches Mikrofinanz Institut – DMI (German Microfinance Institute), which is the nationwide umbrella organisation of the German 57 microfinance institutions founded in April 2004 to be the federal centre of excellence for microfinance in Germany.

The objective of the association is to assist business women to set up and invest in their own businesses through the provision of interest-free microloans. The loans are addressed to women who live and have an enterprise registered in Berlin. In recent years loans have been preferentially given to women aged over 45 and with a migrant background. All beneficiaries run one-person enterprises, most of them in the service sector (such as cosmetics, restaurants, biologists, retail shops, bakeries and childcare services).

The association also awards grants to activities relevant to women's rights, and networks with other microcredit initiatives, policy experts, researchers, start-up initiatives and financial institutions in order to

increase women's presence in the business world. The German business landscape is getting more female all the time, and currently one in four business owners is a woman. Yet women's potentially huge entrepreneurial contribution is far from being fully tapped. According to a study commissioned by the Ministry of Economics, the number of self-employed women increased by 51% between 2002 and 2011 and is now 38%. Most enterprises founded by women are in typical women's sectors, such as in the service sector. In technology-oriented start-ups the share of women is only about 10%-15%.

National support for women's start-ups

In the light of this, special support measures for women entrepreneurs started to be provided in Germany. The Bundesweite Gründerinnenagentur – BGA (National Agency for Women Start-ups Activities and Services), which is sponsored by the Federal Ministry for Education and Research, the Federal Ministry for Family, Senior Citizens, Women and Youth and the Federal Ministry of Economy and Technology, represents a first step towards increasing the number of businesses started by women. The agency's Germany-wide hotline advises female business owners, facilitates contact to women experts and gives information on coaching opportunities throughout the country. In addition, the agency collates gender-specific data on company start-ups, which is then made available to the general public.



Turning unemployment into self-employment has become a major focus of German active labour market policy since 2005. The Hartz reforms (I-IV) between 2003 and 2005 introduced a new business start-up subsidy scheme in 2006, which provided financial support for unemployed people in the initial start-up phase (up to €300 per month on top of unemployment benefit). In order to facilitate micro and small business the Deutsches Mikrofinanz Institut – DMI was established in 2004 and now fulfils all the tasks of an apex organization, including accrediting microfinance institutions (MFIs) for access to a risk capital fund, Mikrofinanzfonds Deutschland and supervising the necessary benchmarking. The German Microfinance Fund works as a guarantee fund for MFIs by covering the default risk for small loans. It is funded equally by the Federal Ministry of Labour and Social Affairs, the Federal Ministry for Economics and Technology, the KfW-Bankengruppe (a federal public bank) and the GLS bank (a private ethical-ecological bank). For the period 2010-2015 the fund has a total value of €100 million, of which €60 million is provided by the ESF. The aim is to provide approximately 15,000 loans by the end of 2015 to increase the number of smaller companies, which contribute considerably to jobs growth. DMI supports capacity-building for German microfinance institutions through:

- counselling and training for MFIs (e.g. their loan officers)
- electronic loan processing tools
- online forum that fosters MFIs' network communication



- benchmarking and quality management
- crosslinking MFIs via workshops and conferences
- cooperation with public and private investors and donors

Within this context, Goldrausch is of particular relevance because the high level of its members' commitment enabled the association to offer interest-free start-up loans and free business support for women. In its long history Goldrausch has supported many women and proved that a wide impact and long-term effects can be achieved in tackling gender inequalities in business. Being member of the German Microfinance Institute is very important for the sustainability of the initiative. The Berlin Senate is currently funding one staff position. Goldrausch's efficiency is augmented by the fact that its membership fees cover its office expenses and loan defaults, which makes for low infrastructure costs.

Goldrausch's microcredit activities are mainly aimed at creating a friendly environment for women who have interesting ideas for entrepreneurship and need a small amount of money to allow their business to grow. Not being a bank, Goldrausch can better contribute to support women in getting access to credit than the regular bank credit circuit. It thus helps women achieve economic independence, which is one of the goals of the Europe 2020 and the Strategy for Equality between Women and Men 2010-2015.

Its status as a good practice is supported by its membership of the JASMINE evaluation and training scheme. This scheme (Joint Action to Support Micro finance in Europe) was set up by the European Commission and the European Investment Bank Group to provide support and funding to non-bank microcredit providers in the EU. The association has also been rated by the European Investment Fund as an Institution following European standards.

How microfinance for women works

Goldrausch started in 1982 with its own capital of €10,000, but to meet the growing demand, has increased its capital through co-operation with the Weiblerwirtschaft association by issuing additional stock of €50,000. Nowadays it is responsible for acquiring and selecting clients, analysing the loan applications, granting the loan and managing its repayment. It works in cooperation with the GLS Bank, which provides the credit.

Goldrausch provides small loans to women who want to invest in a business, whether to start one up or expand an existing enterprise. Two loan products are available:

- Classic microcredit loans can range from €1,000 to €10,000, and are provided at a low interest rate (at the moment an effective rate of 8.9% p.a.). Half the amount has to be guaranteed by a third party, and the loans are granted for a maximum period of three years. Repayment can be monthly or as a 'bullet payment' at the end of the loan term. No additional fees are added.
- The GeSo Kredit, which has been developed for women who want to start up an enterprise in the health and social sector. This type of loan has been developed in co-operation with KIZ PROWINA pro Wirtschaft and Neue Arbeit GmbH in Offenbach, MOZAIK Innovative Beratung e.G. in Bielefeld and Goldrausch e.V in Berlin. Goldrausch is responsible for selecting the women. The loan has a term of up to 12 months. For this credit (up to €2,000), borrowers do not have to provide a guarantee.

In both cases, clients follow the same procedures. An initial telephone appointment is followed up by an information session with a credit adviser, and a more in-depth advisory session with the delivery of all



necessary documents. A preliminary decision is taken by the credit adviser, and referred to Goldrausch's advisory board for approval. The credit agreement is then drafted and the documents forwarded to GLS Bank for the loan to be paid out.

Very few small (one-person) companies or self-employed people can raise sums below €5,000 on the conventional credit market. Most traditional banks only lend sums of above €10,000 and require guarantees, which women often cannot provide. Women have therefore found Goldrausch's low-threshold approach to be very attractive. Between 1982 and 2007 Goldrausch has distributed approximately €850,000 to more than 450 business women and projects in Berlin. These loans and grants have been funded entirely from the contributions and donations of its members. Between September 2010 and 2013, Goldrausch allocated 70 loans totalling €240,000. Many beneficiaries are migrants (from countries such as Turkey, Poland, and Austria), and their average age is between 40 and 50. The loss rate has been only 1.3% thanks to the strict relationship that credit advisers establish with borrowers and the individual support the organisation provides.

Volunteer commitment

The success of the Goldrausch microfinance initiative is based on the commitment of the association's volunteer members, who strongly believe in the importance of creating a positive environment in supporting women to access financial credit. This has meant that everyone involved has shown a high level of commitment. The conclusion from this is that women have a strong potential for economic success and growth but they need to be supported, and friendly conditions need to be created. The individual support and monitoring (each woman receives a monthly e-mail to clarify whether there are any problems) has helped to keep the payback rate at 99%.

The association is well-known in Germany, and in particular in Berlin, and has a 30-year history of supporting initiatives for women. Its main limitations are weak political commitment and the need to raise money from donations. Its model is eminently transferable.

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Profiles of borrowers: <http://www.goldrausch-ev.de/data/pdf/goldrausch-imagebroschuere.pdf>
Deutsches Mikrofinanz Institut: www.mikrofinanz.net
Designing microfinance operations in the EU. A manual on how to build and implement microfinance support programmes using ESF (DMI for COPIE, 2012):
http://www.mikrofinanz.net/fileadmin/user_upload/dateien/pdf/dokumente_veranstaltungen/COPIE_ESFM_anual_Access_to_Finance_print.pdf.

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